

Message Text

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PASS AGRICULTURE FOR WITCHER, KARPOFF, FAS; WILLETT,
CROM, J. MILLER, ERS

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SUBJECT: TWELTH JOINT SESSION WP'S 3(DAIRY) AND
4(MEAT) OF COMM FOR AGR, JAN. 23-24, 1978

REF: STATE 016977

SUMMARY. WORKING PARTIES REVIEWED UPDATED COUNTRY
FORECASTS OF DAIRY AND BEEF SITUATIONS IN 1979 AND 1982.
THEY ALSO DISCUSSED AND APPROVED WITH MODIFICATIONS
THE SECRETARIAT'S DRAFT APPRAISAL REPORT. THE MOST
DIFFICULT PROBLEM SURFACED IN THE DISCUSSIONS WAS THE
CONTINUING SURPLUS OF MILK, IN RELATION TO ANTICIPATED
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MARKET DEMANDS. THERE WAS CONSIDERABLE SKEPTICISM
ON WHETHER U.S. MILK PRODUCTION WOULD BE AS LOW AS THE
U.S. FORECASTS. MAJOR DISCUSSION ON BEEF FORECASTS
FOCUSED ON EC SITUATION AND THE INTERESTS OF AUSTRALIA,
NEW ZEALAND, AND YUGOSLAVIA IN OBTAINING GREATER
ACCESS TO THE EC MARKET. WP-3 WILL HOLD NEXT MEETING
APRIL 24-25; WP-4, PROBABLY JULY 3-4. END SUMMARY.

1. AGENDA ADOPTED. ANHALT (FRANCE) CHAIRMAN OF WP-4 IN 1977, PRESIDED OVER MEETING. SECRETARIAT STATED THAT ELECTION OF OFFICERS FOR WP-3 AND WP-4 WOULD TAKE PLACE AT FIRST MEETING OF EACH WORKING PARTY IN 1978.

2. SECRETARIAT CIRCULATED AT MEETING NEW SET OF TABLES (I-7) FOR DOCUMENT "FORECASTS OF THE DAIRY AND MEAT SITUATIONS IN 1979 AND 1982", AGR/WP3(77)19/WP4(77)7. WORKING PARTIES DISCUSSED MAJOR CHANGES IN COUNTRY FORECASTS THAT HAVE BEEN MADE SINCE THEIR LAST JOINT MEETING, IN JULY 1977. THE MORE IMPORTANT CHANGES WERE THOSE MADE BY THE EC AND U.S. THE YUGO-SLAVIAN REP ALSO PRESENTED NEW STATISTICS ON BEEF WHICH DRASTICALLY CHANGED THE SECRETARIAT ASSUMPTION FOR YUGOSLAVIA OF PRODUCTION AND CONSUMPTION IN BALANCE IN 1982. YUGOSLAVIA FORECASTS A 1982 SURPLUS OF 60,000 TONS, WHICH SUBSTANTIALLY RAISED THE PRODUCTION/ CONSUMPTION BALANCE SHOWN IN THE SECRETARIAT TABLES, WHICH WAS IN A RANGE OF PLUS 89,000 TO PLUS 127,000 TONS FOR OECD OVERALL. FOR THE EC, COMMISSION FORECASTS OF PRODUCTION AND CONSUMPTION DIFFERED FROM THE AGGREGATE OF FORECASTS SUBMITTED BY MEMBER COUNTRIES WITH SOMETIMES LARGE DIFFERENCES IN THE CASE OF NFDM AND BEEF. THE COMMISSION FORECASTS WERE THE LARGER ONES, ESPECIALLY FOR CONSUMPTION.

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3. IN DISCUSSING THE APPRAISAL REPORT ON DAIRY PRODUCTS THE EC REP EMPHASIZED THE DIFFICULTY AT THIS TIME OF APPRAISING THE IMPACT OF EC MEASURES TO ALLEVIATE THE DAIRY SITUATION WHEN 1977 STATISTICS ARE NOT YET AVAILABLE. THE EC REP AS WELL AS OECD AND FAO SECRETARIAT QUESTIONED WHETHER U.S. FORECASTS FOR MILK PRODUCTION IN 1979 AND 1982 WERE NOT QUITE CONSERVATIVE. THEY BASED THEIR CONSIDERABLE RESERVATIONS ON SHARP RISE IN U.S. MILK PRODUCTION BEGINNING IN 1976, THE HIGHER MINIMUM PRICE SUPPORT LEVEL FOR DAIRY PRODUCTS IN AGR ACT OF 1977, AND THE PLENTIFUL FEED SUPPLIES IN U.S. AT RELATIVELY LOW PRICES. US REP (OGREN) POINTED OUT THAT RECENT INCREASES IN MILK PRODUCTION ARE NOT A REFLECTION OF A LONG-TERM UPWARD TREND; RATHER THE TREND IN MILK PRODUCTION, IF THERE IS ONE, HAS BEEN DOWNWARD SINCE THE MID-1960'S. ALSO, THE LONGER TERM TREND FACTORS TO REDUCE NUMBER OF DAIRY MEN AND NUMBER OF DAIRY COWS ARE LIKELY TO HAVE GREATER EFFECT IN THE COMING YEARS THAN IN IMMEDIATE PAST, ESPECIALLY IF OFF-FARM EMPLOYMENT PROSPECTS BRIGHTEN. MOREOVER, CULL COW PRICES ARE LIKELY TO RISE WHEN

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CULL COW PRICES ARE LIKELY TO RISE CATTLE
CYCLE TURNS FROM LIQUIDATION OF BEEF COWS TO HERD
BUILD-UP PHASE. U.S. REP ALSO NOTED THAT MINIMUM
PRICE SUPPORT LEVEL AS REQUIRED BY PRESENT LEGISLA-
TION WILL REVERT TO LOWER LEVEL IN 1979. ALSO, WHILE
IT WAS NOT POSSIBLE TO FORESEE AT THIS TIME WHETHER
MILK PRICES WOULD KEEP PACE WITH RISES IN PRODUCTION
COSTS, IT IS MORE LIKELY THAN NOT THAT DAIRY PRODUCERS
WOULD BE FACING RELATIVELY LOWER RETURNS BY 1979 COM-
PARED WITH THE PRESENT. THE SECRETARIAT ALSO RAISED
QUESTIONS ON WHETHER THE U.S. FORECASTS FOR LARGE
INCREASES IN CHEESE CONSUMPTION BY 1982 WERE NOT
OVERLY OPTIMISTIC.

4. CONCERNING THE APPRAISAL OF THE BEEF SITUATION,
THERE WAS A GENERAL NOTE OF PESSIMISM ON THE OUTLOOK
FOR IMPROVED PRICES AND DEMAND FOR BEEF. THIS
PESSIMISM REFLECTED THE CONTINUED SLOWDOWN IN ECONOMIC
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GROWTH IN OECD COUNTRIES AND THE LIMITED ACCESS TO EC AND JAPANESE MARKETS FOR PRINCIPAL NON-EC EXPORTERS OF BEEF: AUSTRALIA, NEW ZEALAND AND YUGOSLAVIA. THE HOPES FOR PRICE INCREASES AT THE PRODUCER LEVEL IN THE YEARS AHEAD WERE CHIEFLY RELATED TO POSSIBLE PRICE RISES IN THE U.S. MARKET AS U.S. BEEF PRODUCTION DECLINES. THE EC COMMISSION FORECAST EC BEEF CONSUMPTION FOR 1979 AND 1982 AT LEVELS OF 350,000 TO 400,000 TONS HIGHER THAN THE AGGREGATE OF MEMBER-COUNTRY ESTIMATES. THE SECRETARIAT FAILED IN REPEATED PROBING TO GET A SATISFACTORY EXPLANATION FROM THE EC REP OF THESE DIFFERENCES. FOR EXAMPLE, THE SECRETARIAT ASKED IF THE EC REP ACCEPTED THE DECLINE FORECAST IN U.K. CONSUMPTION OF 200,000 TONS (ABOUT 16) BETWEEN 1976 AND 1979 AND, IF SO, WHERE DID THE EC REP SEE OFFSETTING INCREASES OF OVER 400,000 TONS IN OTHER MEMBER COUNTRIES TO OBTAIN A TOTAL INCREASE IN EC CONSUMPTION OVER 200,000 TONS BY 1979. THE EC REP EVADED A DIRECT RESPONSE ON THE U.K. FORECASTS.

5. THE WORKING PARTIES MADE CONSIDERABLE REVISIONS IN THE SECRETARIAT REPORTS WHICH WILL NOW BE REISSUED AND PRESENTED FOR APPROVAL TO THE NEXT MEETING OF THE COMM FOR AGR (PERHAPS IN APRIL OR MAY). THE SECRETARIAT WILL ALSO UPDATE THE COUNTRY CHAPTERS (AGR/WP3(77)7, WP4(77)3) BEFORE SUBMISSION TO THE AGR COMMITTEE THROUGH CONTACTS WITH EACH COUNTRY.

6. U.S. REP PRESENTED COMMENTS IN REFTTEL AND WORKING PARTIES ACCEPTED PROPOSED REVISIONS.

7. UNDER OTHER BUSINESS, THE SECRETARIAT SUGGESTED UNCLASSIFIED

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A DATE OF APRIL 24-25 FOR WP4(MEAT) WHICH WAS ACCEPTED. THE MAIN AGENDA ITEM WILL BE TO DISCUSS MARKET ANALYSIS AND PROSPECTS FOR 1978. A PROPOSED DATE FOR WP3(DAIRY PRODUCTS), TO BE CONFIRMED LATER, WAS JULY 3-4. THESE DATES WOULD FOLLOW DIRECTLY THE INTERNATIONAL DAIRY CONGRESS AT THE END OF JUNE IN PARIS. AS THE CONGRESS PROGRAM INCLUDES TOPICS ON ECONOMICS OF THE DAIRY INDUSTRY, THE SECRETARIAT THOUGHT THE WP3 MEETING MIGHT BENEFIT FROM ATTENDANCE OF DAIRY EXPERTS COMING TO THE CONGRESS.
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